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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,540	07/07/2000	Richard Elder	CITI0170-US	5478

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KILPATRICK STOCKTON LLP
607 14TH STREET, N.W.
WASHINGTON, DC 20005

EXAMINER

GARG, YOGESH C

ART UNIT	PAPER NUMBER
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3625

DATE MAILED: 09/20/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/610,540

Applicant(s)

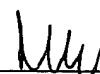
ELDER, RICHARD

Examiner

Yogesh C Garg

Art Unit

3625



-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 03 June 2004.
- 2a) ☐ This action is FINAL. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 16 and 18-21 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 16 and 18-21 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- ☒ Notice of References Cited (PTO-892)
- ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date _____
- ☐ Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____
- ☐ Notice of Informal Patent Application (PTO-152)
- ☐ Other: _____

DETAILED ACTION

Response to Amendment

1. Applicant's request for reconsideration of the finality of the rejection of the last Office action is persuasive and, therefore, the finality of that action is withdrawn.

The examiner acknowledges the applicant's amendment, after Final action, paper # 10, received on June 3, 2004 and the same is entered. The applicant has cancelled claims 1-7, 10, 13-15 and 17 and amended claims 16 and 18-21. Currently claims 16 and 18-21 are pending for examination.

Response to Arguments

2. Applicant's arguments with respect to currently amended claims 16 and 18-21 have been considered but are moot in view of the new ground(s) of rejection.

Priority

3. The later-filed application must be an application for a patent for an invention which is also disclosed in the prior application (the parent or original nonprovisional application or provisional application); the disclosure of the invention in the parent application and in the later-filed application must be sufficient to comply with the requirements of the first paragraph of 35 U.S.C. 112. See *Transco Products, Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 32 USPQ2d 1077 (Fed. Cir. 1994). The subject matter of the currently amended claims 16 and 18-21 is not supported by the

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provisional application 60/143021, filed on July 9, 1999. Therefore currently amended claims 16 and 18-21 do not qualify to claim priority to the filing date of the provisional application 60/143021 to comply with the requirements of the first paragraph of 35 U.S.C. 112..

Claim Objections

4. Claim 21 is objected to because of the following informalities: Claim 21 recites the limitation "the final bid price" in line 10, page 10 of the above cited amendment. There is insufficient antecedent basis for this limitation in the claim. As best understood by the examiner the limitation, "the final bid price" should be replaced by ----the final bid amount-----

Appropriate correction is required.

Claim Rejections - 35 USC § 112

5. The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

5.1. Claims 18, 19 and 21 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to

reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. Claims 18, 19, and 21 recite the limitation, " when the buyer determines that the good is non-conforming, setting a third time period within which the buyer either (iii) returns the good to the seller or (iv) requests a bargaining session with the seller", which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. The specification, see page 14, line 1-page 15, line 9 and page 18, line 1-page 19, line 11 discloses setting a third time period within which the buyer should return the goods to the seller. The specification does not disclose setting a third time period within which the buyer should request a bargaining session with the seller. In view of 35 U.S.C. 112, first paragraph rejection, the above cited limitation will be further treated on merits, as—when the buyer determines that the good is non-conforming, the buyer either returns the good to the seller or requests a bargaining session with the seller, wherein setting a third time period for the buyer to return the good—.

5.2 Claim 18 is rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the written description requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. Claim 18 recites the limitation, " when the seller determines that the good is in the same condition, retrieving the final bid amount from the escrow account; and returning the final bid amount to the buyer's payment

account", which was not described in the specification in such a way as to reasonably convey to one skilled in the relevant art that the inventor(s), at the time the application was filed, had possession of the claimed invention. Claim 18 is directed to the embodiment when the final bid amount is above the pre-determined threshold amount and this embodiment, see specification, FIG.6 and page 16, line 11-page 18, which suggest crediting seller's account with buyer's payment in escrow amount if goods inspected by the seller are found in the original condition. However, the specification does not disclose --returning the final bid amount to the buyer's payment account.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

6.1. Claim 16 is rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy in view of Sullivan et al. (US Publication: 20010018665); hereinafter, referred to as Sullivan.

Regarding claim 16, Shkedy discloses a method and system for providing a bi-lateral auction at a central controller, via a computer network. Multiple buyers are combined to submit a group bid for sellers' products, in order to take advantage of economies of scale. The aggregation of orders demands that all contracts must be

binding. As such, Shkedy specifically emphasizes that all parties be verified as holding an account at the central controller and that all parties have adequate credit to execute any transaction.

Before adding a buyer's forward purchase order, FPO, to the aggregated asking price, the central controller authenticates the buyer's identification number against a buyer database (identifying a population comprising ... a potential buyer who are account holders at the central controller). The central controller may require that the buyer provide a credit card number and may also ensure that the buyer has sufficient credit available to cover the purchase price specified in the FPO [Col 5, Lin 61].

A seller then views these aggregated FPOs and places their own "bid" on the contract. The central controller authenticates the identity of the seller as well as verifying the seller's probable capacity to deliver the goods [Col 17, Lin 1]. Authentication involves the central controller extracting the seller ID from the seller's "bid" and looking up the seller's identity in seller database (identifying a population comprising ... a potential seller who are account holders at the central controller) [Col 17, Line 10].

The winning sellers/buyers are informed of the purchase. The seller transfers goods to the buyer. The central controller acts as the arbiter in cases where the goods do not meet the buyer's satisfaction. Upon completion of delivery and verification of buyer satisfaction, the central controller automatically confers payment to the seller [Col 18, Line 1].

Shkedy discloses an embodiment where the central controller can be comprised of three distinct elements, an operations server, that handles the posting and receipt of buyers' bids, a certificate authority, which authenticates the identify of buyers and sellers, and a settlement server, which verifies the ability of buyers to pay and the ability of sellers to deliver on FPOs and seller bids. Shkedy discloses that a bank, insurance company or other financial institution could act as the settlement server, establishing the identity of an individual, buyer or seller in that these financial institutions have the capability to back up their certifications and thus can insure both buyers and sellers against fraud. [Col 25, Line 49].

Shkedy explicitly discloses that the central controller in addition to supporting refunds/returns for unacceptable goods/services also supports escrow account payment systems. Escrow accounts allow payments to be delayed until the seller completes delivery of goods while at the same time ensuring the buyer will in fact make payment. The central controller establishes an escrow account as a temporary holding account. When the seller is awarded the contract, funds are transferred from the buyer to the escrow account. Only after the buyer has received the goods are funds transferred from escrow to the intermediary account. The buyer then may transmit a digitally signed release message to the central controller authorizing the release of the escrowed funds to the seller (buyer acknowledges conformance of the good). See the following segments from Shkedy:

Col.6, lines 58-63, " The payment system may also involve the use of an escrow account associated with the buyer wherein funds advanced by the buyer to cover the purchase of a desired good can be kept pending delivery of the goods by the selected seller 20. Moreover, the timing of

payment to the seller can be varied. “. Corresponds to setting a first time period within which the seller must deliver the good to the buyer.

Col. 11, lines 18-20, “Escrow account 299 is an account which temporarily holds buyer funds before they are transferred either to the intermediary or the sellers' account 298. “. Corresponds to setting a second time period for the buyer to inspect the goods to determine the acceptability of goods.

col. 18, lines 8-15, “ At step 1040 if the goods do not meet the buyer's conditions as described in FPO 100 the buyer contacts an arbiter at central controller 200 for dispute resolution. This process is described in more detail in the dispute resolution embodiment described later. If the goods meet the conditions, payment is transferred to the seller at step 1050. At step 1060 the transaction is complete. “. Corresponds to either buyer acknowledging conformance of goods or if he does not then the transaction is complete and which implies crediting the final bid amount to the seller's payment account.

See also: *Col. 20, lines 10-21, “ Escrow account 299 allows payment to be delayed until the seller completes delivery of the goods, while at the same time ensuring that the buyer will in fact make payment. Central controller 200 establishes escrow account 299 as a temporary holding account. When the seller is awarded PPO 100 funds are transferred from buyer account 297 to escrow account 299. Only after the buyer has received the goods are funds transferred from escrow account 299 to intermediary account 296. The buyer may transmit a digitally signed release message to central controller 200, authorizing the release of the escrowed funds to the seller.* “.

Shkedy does not explicitly disclose that the central controller is a financial institution. In that the purpose of applicant's invention is to decrease the probability of fraud in an auction by first verifying the physical existence and the credit of a participant, Shkedy solves a similar problem by verifying the identity of an account holder. It would

have been obvious to one skilled in art at the time that the central controller of the auction could have been any type of institution, including a financial institution, that has "account holders", in order to verify the identities of the auction participants and decrease fraud.

Shkedy does not disclose comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process. However, in the same field of electronic commerce, Sullivan discloses comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process (see paragraphs 0080, pg.8, " *The database server 32 enables the account administrator to enter any special promotion payment terms, as indicated by block 300..... Special promotion payment terms can encompass anything particular to the individual promotion, ... These special promotion payment terms are also settled by the system 10.* " and paragraph 0097, pg.11, " *The application 174 uses the terms of the promotion to calculate the amount of money due to or that the manufacture owes to the retailer for the promotion based upon the number of promoted products sold or the payment value contracted amount,* ". Note: Sullivan explicitly discloses that promotions, such as special terms of payment are directly related to the contracted value, that is the final bid amount in the application and vary depending upon if the final bid amount is more or equal or less than a threshold amount). In view of Sullivan, it would have been obvious to one of ordinary skill in the art at the time of the applicant's invention to have modified Shkedy to incorporate the feature of comparing the final bid amount to a pre-determined threshold amount to determine a preferred payment process because such promotions of special payment terms are a part of variety of promotions that sellers/retailers use to sell their products/increase their revenues and profits. For,

example, stores like Best Buy, Circuit City, etc. provide no interest payment terms for a determined period of time if the order value is more than a predetermined amount, such as \$ 1000, or whatsoever and these special terms of payment motivate buyers to buy large ticket items. If the total order value is less than \$1000 then different payment terms are applicable.

6.2 Claims 18-21 are rejected under 35 U.S.C. 103(a) as being unpatentable over Shkedy in view of Sullivan and further in view of Hoffman (US Publication: 2001/0039529).

Regarding claim 18, all the limitations are already covered in claim 16 above, and are analyzed and rejected in view of Shkedy/Sullivan, except for the limitations:

when the buyer determines that the good is non-conforming, setting a third time period within which the buyer either (iii) returns the good to the seller or (iv) requests a bargaining session with the seller;

when the buyer returns the good to the seller within the third time period, setting a fourth time period within which the seller inspects the good to determine if the good is in the same condition as it was in when it was originally sent to the buyer; and

when the seller determines that the good is in the same condition, retrieving the final bid amount from the escrow account; and

returning the final bid amount to the buyer's payment account.

However, Hoffman in the same field of exchanging transactions between buyers and sellers, discloses the above limitations (see at least Fig.8 and paragraph 0027, page 3, " *The buyer receives the products at their location 700. The products are compared to the order 710. The buyer copies the BL form to the receiver form 715. The buyer receives personnel records loaded into a standard PL Receiver 720. The goods are inspected by the buyer 725. If the product passes inspection 730, the goods are ready for payment and invoicing 735. If the goods do not pass inspection, then the buyer submits a claim 740. The buyer compiles the necessary evidence for the claim 745. The buyer then sends the evidence to the supplier 750. The seller can then either refute the claim 755 or negotiate terms 760. If the buyer and seller can not negotiate terms, then the products are returned 765. If the buyer and seller negotiate terms, then the invoice amount is adjusted 770. At this time the goods are ready for payment and invoicing 735. "*

In view of Hoffman, it would have been obvious to one of ordinary skill in the art to have modified Shkedy in view of Sullivan as applied to claim 18 above to incorporate the missing features, that is when the buyer determines that the good is non-conforming, setting a third time period within which the buyer either (iii) returns the good to the seller or (iv) requests a bargaining session with the seller, when the buyer returns the good to the seller within the third time period, setting a fourth time period within which the seller inspects the good to determine if the good is in the same condition as it was in when it was originally sent to the buyer, when the seller determines that the good is in the same condition, retrieving the final bid amount from the escrow account, and returning the final bid amount to the buyer's payment account. Doing so would further enable the method of Shkedy/Sullivan as applied to claim 18 above for resolving the disputes arising from transactions, such as buyers not accepting goods (see Shkedy,

col.27, lines 30-56) and the sellers not finding the returned goods acceptable (see Hoffman, paragraph 0027, pg.3) amenably between buyers and sellers, as explicitly suggested in Hoffman and also good for the suppliers to renegotiate the returned/refuted goods prices thereby reducing the costs associated with the returned/refuted goods.

Regarding claim 19, all its limitations are closely parallel to the limitations of claim 18 and are analyzed and rejected in view of Shkedy/Sullivan/Hoffman as applied to claim 18 above, except for the limitation, " setting a fourth time period within which the buyer and the seller negotiate a new bid price for the good". It is evident from Shkedy, as analyzed above that the payment held in escrow account is for a predetermined temporary time and as such all post actions to shipment of goods, such as buyer's acceptance or rejected goods, seller's acceptance and re-inspection of returned goods or agreeing to renegotiate the prices of the rejected/returned goods would be subject to a fixed time period for arriving at a final resolution so that the payment held in escrow is disbursed to the concerned parties, that is buyers and sellers, depending upon the outcome of resolution. In view of this fact it would be obvious to set a fourth time period within which the buyer and the seller negotiate a new bid price for the good.

Regarding claims 20-21, their limitations are closely parallel to the limitations of claims 16, 18-19 and are therefore analyzed and rejected in view of

Shkedy/Sullivan/Hoffman on the same basis, except for the limitation that the final bid amount is below the pre-determined threshold amount. Sullivan explicitly discloses, as analyzed above, that promotions, such as special terms of payment are directly related to the contracted value, which implies that the final bid amount can vary and could be either more or equal or less than a threshold amount but the steps of debiting the buyer's account, facilitating settlement remain the same. Therefore, the subject matter, that is the final bid amount is more or less than a threshold amount is a non-function subject matter which is not affecting claimed manipulative steps as these steps remain the same regardless of the final bid amount.

Conclusion

7. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

(i) US Patent 6,567,768 to Matos et al. discloses the notoriously well-known fact of customers returning products, which could be for various reasons and these returned products are sold at much reduced prices of their original prices (see at least col.1, lines 13-35) and this fact makes it obvious to renegotiate the prices with the buyer if he can retain the product at a reduced price so as to avoid heavy losses which usually accrue with the returned merchandises.

(ii) US Publication: 2002/0019785 to Whitman discloses a system and method for returning merchandises and teaches (see at least abstract and paragraph 0169, page 10) that the returned merchandises are sold at much reduced prices of their original

prices (see col.1, lines 13-35) and this fact makes it obvious to renegotiate the prices with the buyer if he can retain the product at a reduced price so as to avoid heavy losses which usually accrue with the returned merchandises.

(iii) US Publication: 2001/0047308 to Kaminsky et al. discloses a system and method for returning merchandises and teaches (see at least paragraphs 0015-0020, pg.2, paragraph 0057-0058, pg.5) that the returned merchandises are sold at reduced prices of their original prices and this fact makes it obvious to renegotiate the prices with the buyer if he can retain the product at a reduced price so as to avoid heavy losses which usually accrue with the returned merchandises.


(iv) US Publication: 2002/0010634 to Roman et al. discloses techniques used in connection of returned/rejected items (see abstract, paragraphs 0017-0025, page 2) and teaches setting specific period of time for returns and inspection of goods (see paragraph 0019).

(v) Press release, " Web Alliance Sets Tough New Standards For Internet Auctions And Classifieds, As Consumer Sites Team Up To Make Person-To Person Buying And Selling Safer "; PR Newswire; New York; Dec 2, 1998; extracted on Internet on September 17, 2004 discloses use of escrow services to safeguard exchanging of goods/services on auction sites on Internet.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Yogesh C Garg whose telephone number is 703-306-0252. The examiner can normally be reached on M-F(8:30-4:00).

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent A Millin can be reached on 703-308-1065. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).


Yogesh C Garg
Primary Examiner
Art Unit 3625

YCG
September 16, 2004